

Message Text

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ACTION EB-11

INFO OCT-01 NEA-14 ISO-00 CEA-02 COME-00 STR-08 AID-20

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OPIC-12 SP-03 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07

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TO SECSTATE WASHDC 2320

INFO ACMCONSUL CALCUTTA 2883

UNCLAS NEW DELHI 8562

E.O. 11652: N/A

TAGS: EIND, EMIN, ETRD, IN

SUBJECT: INFORMATION ON INDIAN STEEL INDUSTRY

REF: STATE 127209

1. THE FOLLOWING DATA HAVE BEEN RECEIVED FROM AMCONSUL CALCUTTA
IN COMPLIANCE WITH DEPARTMENT'S REQUEST FOR AVAILABLE DATA
ON INDIAN STEEL INDUSTRY FOR USG INTERAGENCY STUDY:

BEGIN TEXT:

2.A. TOTAL PRODUCTION CAPACITY (IN MILLIONS METRIC TONS OF RAW
STEEL) AS OF BEGINNING OF CY 1974: 11.7

(1) PRODUCTION CAPACITY INSTALLED IN MAJOR INTEGRATED STEEL
PLANTS (ANNUAL CAPACITY IN TERMS OF MILLIONS METRIC TONS OF
STEEL INGOTS)

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NAME OF THE UNIT	ANNUAL CAPACITY
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BHILAI	2.5
ROURKELA	1.8
DURGAPUR	1.6
TOTAL	5.9

PRIVATE SECOTR:

TATA IRON AND STEEL COMPANY (TISCO) 2.0

PRIVATE SECTOR:

INDIAN IRON AND STEEL (IISCO-MANAGEMENT	
TAKEN OVER BY GOI IN 1972	1.0
TOTAL	8.9

(2) PRODUCTION CAPACITY INSTALLED OF ELECTRIC ARC FURNACE
UNITS IN THE
PRIVATE SECTOR:

TOTAL NUMBER OF LICENSEDOR REGISTERED UNITS	INSTALLED ANNUAL CAPACITY (IN MILLIONS METRIC TONS OF STEEL INGOTS)
120	2.8

2B. ESTIMATED TOTAL CAPACITY IN CY 1980: (IN MILLIONS METRIC TONS
OF STEEL INGOTS): 17.95

(1) OFFICIAL APPROVED TARGET FOR ADDITIONAL INGOT CAPACITY

NAME OF THE UNIT	ADDITIONAL ANNUAL CAPACITY (IN MILLIONS METRIC TONS OF STEEL INGOTS)
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BOKARO	4.75
BHILAI	1.50
TOTAL	6.25
PLUS PRESENT INGOT CAPACITY	11.70
TOTAL	17.95

(2) WE ARE TOLD THAT TISCO'S EXPANSION PROGRAM OF 2.5 MILLION
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TONS OF STEEL INGOTS MAY NOT BE APPROVED, AND HAVE THEREFORE
NOT INCLUDED THIS FIGURE.

2C. ESTIMATED COSTS (TOTAL OR PER TON) OF INCREASING CAPACITY
TO 1980 LEVEL:

(1) ESTIMATED TOTAL COSTS OF INCREASING CAPACITY TO 1980 LEVEL:
RS. 19 BILLION (ABOUT DOLS 2.5 BILLION):

NAME OF PLANT	ESTIMATED INVESTMENT (IN BILLIONS OF RUPEES)
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BOKARO (PLANNED CAPACITY: 4.7 MILLION TONS)	14.0
BHILAI (PLANNED CAPACITY EXPANSION: 1.5 MILLION TONS)	5.0
TOTAL	19.0

(2) ESTIMATED INVESTMENT COST (AT CURRENT PRICES) PER METRIC TON.
RS 3,060 (DOLS 408).

2D. ESTIMATED DOMESTIC DEMAND FOR STEEL IN INDIA IN 1980;
(1) FORECAST FOR TOTAL DOMESTIC STEEL DEMAND IN 1980 MADE BY
N.C.A.E.R. IN 1968 (ASSUMING ANNUAL AVERAGE GROWTH RATE OF
5 PERCENT OF GNP):

PRODUCT	1980 DEMAND IN MILLIONS OF METRIC TONS
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STEEL INGOTS	13.0
FINISHED STEEL O	10.0
ALLOY AND SPECIAL STEEL	0.9

2E. ESTIMATED SURPLUS AVAILABLE FOR EXPORTS IN 1980:

STEEL EXPORT FORECAST FOR 1980 MADE BY THE N.C.A.E.R. IN 1988:

PRODUCT	EXPORT POTENTIAL IN 1980 (IN MILLIONS OF METRIC TONS)
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RAILS AND STRUCTURALS	0.3
SEMIS (CASTINGS, FORGINGS)	0.3
STEEL CONTENTS OF ENGINEERING	
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GOODS EXPORTS	0.4
TOTAL	1.0

3. THE OFFICIAL ESTIMATES OF RAW STEEL DOMESTIC DEMAND AND
PRODUCTION CAPACITY BY 1980 ARE BASED ON ASSUMPTIONS OF INDUSTRIAL
RECOVERY AND ECONOMIC UPTURN IN COMING YEARS AND EXECUTION OF
OFFICIAL PROGRAMS FOR CAPACITY EXPANSION OF STEEL. IT SHOULD BE
KEPT IN MIND THAT PREVIOUS FORECASTS FOR 1971 AND 1974 TURNED OUT TO
BE OVER-OPTIMISTIC AND WE SUSPECT THAT 1980 FIGURES ARE TOO.

4. THE TOTAL PRODUCTION CAPACITY AS OF CY 1974 FIGURE INDICATED
IN 2A IS THEORETICAL NOT ACTUAL CAPACITY. THE ALLEGED PRODUCTION
CAPACITY IN SOME OF THE OLD STEEL MILLS LIKE DURGAPUR STEEL
PLANT (DSP) AND INDIAN IRON AND STEEL COMPANY (IISCO) APPEARS
NOW UNREALISTIC DUE TO POOR MAINTENANCE OVER THE YEARS AND OTHER

PROBLEMS. SMILARLY, OFFICIAL ESTIMATES OF AGGREGATE ANNUAL PRODUCTION CAPACITY OF THE SMALL ELECTRIC ARC FURNACE UNITS IN THE PRIVATE SECTOR APPEAR HIGHER THAN ACTUAL. LOCAL TRADE SOURCES SPECULATE THAT INDIAN OFFICIAL FIGURES OF TOTAL STEEL PRODUCTION CAPACITY MAY BE DISCOUNTED BY 20 PERCENT.

5. ESTIMATED COSTS (TOTAL OR PER TON) OF INCREASING CAPACITY TO 1980 LEVEL AS INDICATED ABOVE HAVE BEEN FIGURED ON: (A) OFFICIALLY PLANNED TOTAL INVESTMENT PROGRAM IN STEEL DURING 1974-79 AND (B) LATEST ESTIMATE OF INVESTMENT COST PER TON BY BOKARO STEEL PLANT. COSTS ARE, HOWEVER, LIKELY TO ESCALATE COMMENSURATE WITH THE RATE OF INFLATION.

6. ESTIMATES OF A PROBABLE SURPLUS OF NON-FLAT PRODUCTS, PRIMARILY RAILS AND STRUCTURALS, AVAILABLE FOR EXPORTS ARE BASED ON CONCLUSIONS MADE IN 1968 BY THE NATIONAL COUNCIL OF APPLIED ECONOMIC RESEARCH (NCAER), NEW DELHI. WE HAVE BEEN UNABLE TO OBTAIN ANY PROJECTION ANALYSIS SHOWING THE QUANTITY BREAK DOWN BY EXPECTED EXPORT MARKETS IN 1980. END TEXT.
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